

PUBLIC DISCLOSURE

October 23, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTH CAMBRIDGE CO-OPERATIVE BANK

**2360 MASSACHUSETTS AVENUE
CAMBRIDGE, MA 02140**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income census tracts, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **North Cambridge Co-operative Bank** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

This rating is based on the bank's performance under the five criteria for small institutions. The bank's average loan-to-deposit ratio for the last eight quarters was 58.4 percent. The majority of the bank's home mortgage loan originations (61.4 percent) are within its assessment area. The dispersion of home mortgage loans among borrowers of different incomes is good considering the composition of the assessment area and the performance of the aggregate market. The geographic distribution of loans among census tracts of different income levels is considered adequate. Finally, the bank's fair lending performance is considered adequate.

PERFORMANCE CONTEXT

Description of Institution

North Cambridge Co-operative Bank is a mutual institution incorporated under the laws of the Commonwealth of Massachusetts in 1912. As of September 30, 2001, the bank had total assets of \$83,387,000, of which 46.4 percent were in the form of loans. The bank is primarily a residential mortgage lender with 85.1 percent of its loan portfolio secured by one to four family residential properties, located mostly in Cambridge and the surrounding areas. Refer to the following table for the complete distribution of the bank's loan portfolio.

LOAN TYPE	AMOUNT (000s)	PERCENT
One to Four-Family Residential Mortgages	32,894	85.1
Multifamily (Five or more) Residential	2,227	5.8
Home Equity Lines of Credit	1,592	4.1
Non-farm Nonresidential	1,438	3.7
Commercial and Industrial	7	0.1
Construction and Land Development	210	0.5
Consumer	287	0.7
TOTAL GROSS LOANS	38,655	100.0

Source: September 30, 2001, Consolidated Report of Condition.

The bank operates only one banking office located at 2360 Massachusetts Avenue in Cambridge, Massachusetts. Banking hours are considered convenient and accessible to the bank's customers. The bank does not currently maintain any Automated Teller Machines (ATM). However, ATM cards are available for use at ATMs linked to the SUM and NYCE networks.

The bank offers the Massachusetts Community and Banking Council Basic Banking product.

The bank voluntarily participates in the Division of Banks and State Treasurer's Internet accessible survey of rates and products.

The most recent Community Reinvestment Act (CRA) examination, performed by the FDIC as of November 29, 1999, assigned a rating of "Satisfactory." The previous evaluation performed by the Commonwealth of Massachusetts as of December 3, 1997, assigned a rating of "Satisfactory."

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns.

North Cambridge Co-operative Bank defines its assessment area as the cities of Cambridge and Somerville and the Town of Arlington. This assessment area delineation places the bank in Middlesex County and within the Boston MA – NH Metropolitan Statistical Area (MSA).

The Boston MA – NH MSA Median Family Household Income (FHI) was \$65,500 in 2000 and \$70,000 in 2001.

According to 1990 US Census Data, North Cambridge Co-operative Bank's assessment area has a total population of 216,642 individuals. The assessment area consists of 52 census tracts. Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income (FHI) within the census tract. The census tract breakdown for North Cambridge Co-operative Bank is as follows 1 or 1.9 percent designated as low-income, 21 or 40.4 percent designated as a moderate-income, 24 or 46.2 percent designated as middle-income and 6 or 11.5 percent as upper-income.

Please refer to the following table for the breakdown of census tracts by income categories.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	1.9	0.8	0.9	0.2	1.2	1.9	210,300
Moderate	40.4	36.8	37.4	29.3	41.5	46.3	168,104
Middle	46.2	51.3	50.8	53.8	49.6	42.5	220,389
Upper	11.5	11.1	10.9	16.7	7.7	9.3	402,729
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	250,381

Source: 1990 U.S. Census

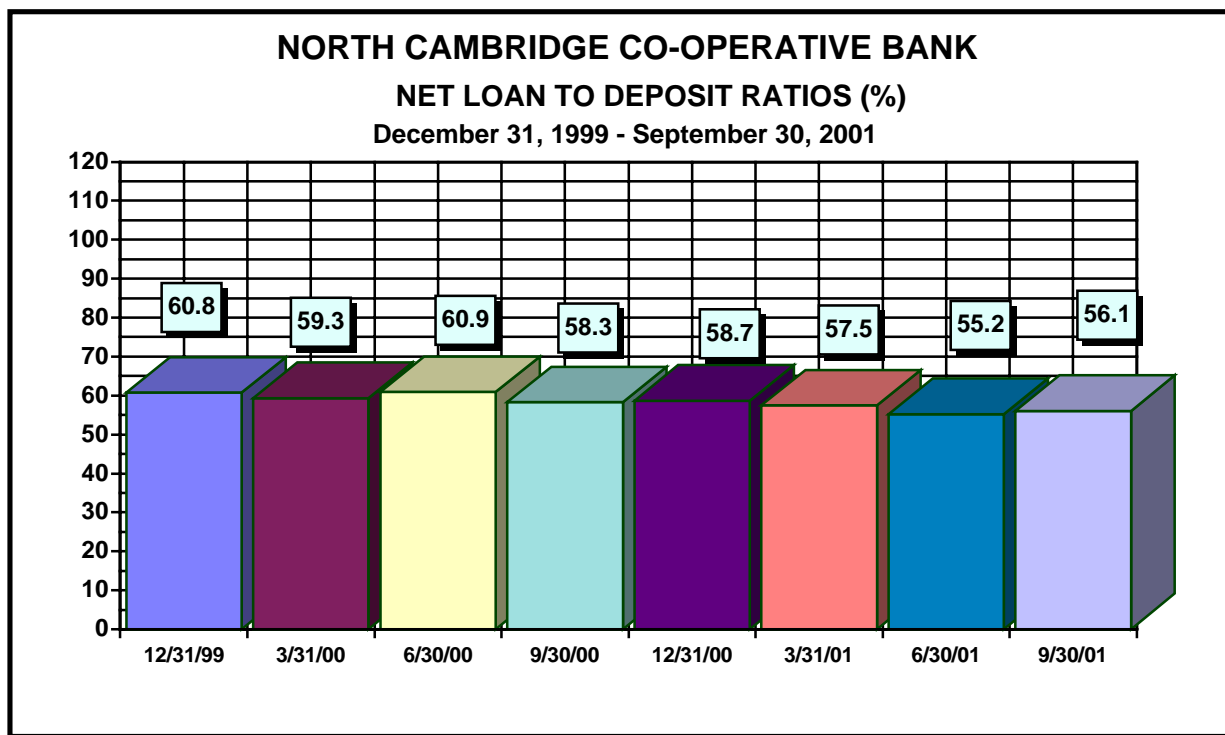
A community contact was performed with an organization in the bank's assessment area. The contact indicated the need for more affordable housing within the assessment area in order to serve the large number of low and moderate-income families and individuals in the area.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

North Cambridge Co-operative Bank's average net loan to deposit ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period December 31, 1999, through September 30, 2001, is 58.4 percent. At the previous state examination on December 3, 1997, the average net loan to deposit ratio was calculated at 61.3 percent.

The asset size of the institution has increased from \$74,414,000 as of December 31, 1999, to \$83,387,000 as of September 30, 2001. During this time, deposit growth has outpaced loan growth, with net loans increasing by approximately 3.5 percent, while deposits have increased approximately 12.1 percent. As indicated in the table below, the bank's net loan to deposit ratio currently stands at 56.1 percent as of September 30, 2001. The following graph depicts the net loan to deposit ratio for each quarter under review.



The following table compares the net loan-to-deposit ratio of three other institutions in the area as calculated from the FDIC's Call Report data. The ratios ranged from 95.4 percent to 56.1 percent for September 30, 2001. North Cambridge Co-operative Bank is ranked last with a net loan-to-deposit ratio of 56.1 percent.

INSTITUTION	NET LOAN TO DEPOSIT RATIO – 9/30/2001
Medford Co-operative Bank	95.4
Everett Co-operative Bank	91.4
Brookline Co-operative Bank	88.7
North Cambridge Co-operative Bank	56.1

Based on the above information, the bank's asset size and resources, competition, and the credit needs of the assessment area, the bank's net loan to deposit ratio is adequate and meets the standard for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

North Cambridge Co-operative Bank's 2000 and Year to Date 2001 Home Mortgage Disclosure Act Loan Application Registers were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 57 HMDA-reportable loans totaling approximately \$10,214,000. Of this amount, 35 loans or 61.4 percent of the number were originated in the bank's assessment area. These loans represented \$6,720,000 or 65.8 percent of the total dollar amount of loans made. Most of the originations occurred in the City of Cambridge.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	17	70.8	3,171	77.4	7	29.2	927	22.6
2001 YTD	18	54.6	3,549	58.0	15	45.4	2,567	42.0
Total	35	61.4	6,720	65.8	22	38.6	3,494	34.2

Source: HMDA LAR and CRA Wiz

Based on all of the above information, it is evident that an adequate number and dollar amount of the bank's loans have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family income for the Boston MA - NH Metropolitan Statistical Area (MSA) based upon the location of the property. These income figures, mentioned in the Performance Context, are taken from Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households in the assessment area in each respective income group. The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reporting lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2000 and is also presented in the following table.

<i>Distribution of HMDA Loans by Borrower Income</i>								
Median Family Income Level	% Total Households	Aggregate Lending Data (% of #) 2000	2000		2001-YTD		Total	
			#	%	#	%	#	%
Low	27.3	3.6	2	11.8	1	5.6	3	8.6
Moderate	18.7	10.1	2	11.8	3	16.7	5	14.3
Middle	20.5	19.0	4	23.5	6	33.3	10	28.6
Upper	33.5	45.0	7	41.1	8	44.4	15	42.8
NA	0.0	22.3	2	11.8	0	0.0	2	5.7
Total	100.0	100.0	17	100.0	18	100.0	35	100.0

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

In the period covered, the bank extended a total of 8 loans to low and moderate-income borrowers representing 22.9 percent of total loans for the assessment area. These loans represent 9.4 percent by dollar amount of the total loans originated in the assessment area during this period.

The percentage of loans by number to low and moderate-income applicants is well below the percentage of low and moderate-income households within the assessment

area. However, it should be noted that the low-income group contains a portion of households with incomes so low that home-ownership is virtually impossible. Approximately 8,533 or 9.6 percent of the households in the assessment area are below the poverty level. If they were not included, the percentage of households in the low-income category would drop significantly, making the bank's distribution by number closer to the adjusted number of low-income households.

The distribution of the bank's residential loans to low and moderate-income borrowers is good when compared to that of all other HMDA-reporters within the assessment area for calendar year 2000. The bank originated 23.6 percent by number of its total loans within the assessment area to borrowers of low and moderate-income, compared to the aggregate with 13.7 percent. While the bank's performance in percentage terms is well above that of the aggregate, its absolute number of loans is quite low. Nevertheless the increasing number of loans made to low and moderate-income borrowers in 2001 indicates the bank's willingness to work with such borrowers and to make credit available to them.

The distribution of HMDA-reportable lending by borrower income in comparison to the percentage of households and the aggregate demonstrates the bank's willingness to lend to borrowers of all income levels, particularly those of low and moderate-income. Therefore, the bank's distribution of credit among borrowers of different income levels is considered to exceed the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 52 census tracts: 1 or 1.9 percent is designated as low-income, 21 or 40.4 percent as moderate-income, 24 or 46.2 percent as middle-income and 6 or 11.5 percent as upper-income.

The following table provides a breakdown by number of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the loans in comparison to the percentage total of owner-occupied housing units in each of the census tract income categories. Additionally, the geographic distribution of the bank's loans by census tract category was compared to that of all other HMDA-reporters in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2000 and is also presented in the following table.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner- Occupied Housing Units	Aggregate Lending Data (% of #) 2000	2000		2001-YTD		Total	
			#	%	#	%	#	%
Low	0.2	0.5	0	0.0	0	0.0	0	0.0
Moderate	29.3	36.0	5	29.4	7	38.9	12	34.3
Middle	53.8	51.6	11	64.7	10	55.6	21	60.0
Upper	16.7	11.9	1	5.9	1	5.5	2	5.7
Total	100.0	100.0	17	100.0	18	100.0	35	100.0

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

As shown in the above table, 34.3 percent of the bank's total loans by number for the period were within moderate-income census tracts, which is in line with the percent of owner-occupied housing units in that area. The percentage distribution by dollar amount is also considered reasonable with 31.9 percent to moderate-income census tracts. The majority of the bank's residential loans (60.0 %) are located in middle-income census tracts. There were no loans in the single low-income census tract in the bank's assessment area.

As demonstrated above, the percentage of the bank's lending activity by number in moderate-income census tracts is slightly below that of the aggregate. The percentage of North Cambridge Co-operative Bank's lending activity in these census tracts was 29.4 percent by number. In comparison, the aggregate originated 36.0 percent by number in the moderate-income census tracts.

Based upon the above analysis the geographic distribution of North Cambridge Co-operative Bank's HMDA-reportable lending is considered to meet the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Detailed below is the bank's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

North Cambridge Co-operative Bank's CRA Statement Policy and Loan Policy address fair lending and other related laws. The bank's management has attended outside CRA related seminars conducted by Professional Bank Services, Federal Reserve Bank of Boston, Massachusetts Bankers Association and Federal Home Loan Bank of Boston.

The bank markets its credit products through newspapers in the local area. The CRA Officer, CRA Committee members and bank officers meet with elected officials, community development organizations, neighborhood groups, religious group leaders and consumer advocates as its primary form of outreach.

North Cambridge Co-operative Bank offers a First Time Homebuyers Program with flexible underwriting criteria. The bank sponsored a First Time Homebuyer Seminar on April 12, 2000, and October 18, 2000.

North Cambridge Co-operative Bank has a second review system in place for all declined loan applications. The bank's Mortgage Review Committee checks for compliance with various fair lending laws such as the Equal Credit Opportunity Act, the Fair Housing Act, and Chapter 151B of the Massachusetts General Laws; statutes that specifically prohibit discrimination in lending. The bank's Executive Vice President and comptroller review all HMDA data at the end of each year. The bank refers all loan customers whose mortgage is delinquent to the Consumer Credit Counseling Services of Massachusetts (CCCS).

The bank has a staff of 12 employees, 1 of whom is a minority. Three employees are bi-lingual: one speaks Greek, one speaks Italian and one speaks Hindi, Tibetan, Nepali, Dzongkhi, Bangla and Urdu.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. In 2000 and year-to-date (September 30, 2001), the bank received 38 residential loan applications from within its assessment area. During this period, there were no minority applications.

A comparison of the bank's 2000 minority application flow with other HMDA reportable lenders in the area was conducted. North Cambridge Co-operative Bank did not receive any applications in 2000 from minority applicants compared to 12.3 percent from all other HMDA reporting institutions from within the assessment area. Although the bank did not receive any minority applications, the small number of applicants makes it difficult to reach a statistically sound conclusion. According to 1990 Census Data, the bank's assessment

area contained a total population of 216,642 individuals of which 19.0 percent are minorities.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

North Cambridge Co-operative Bank

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 23, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.